

<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Bridgefield Casualty Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>08-WC-AR-0499</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0004 Standard WC</i>
<i>Product Name:</i>	<i>BCIC AR LDD Rates</i>		
<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

## Filing at a Glance

Company: Bridgefield Casualty Insurance Company

Product Name: BCIC AR LDD Rates

SERFF Tr Num: LBRM-125897560 State: Arkansas

TOI: 16.0 Workers Compensation

SERFF Status: Closed

State Tr Num: EFT \$100

Sub-TOI: 16.0004 Standard WC

Co Tr Num: 08-WC-AR-0499

State Status: Fees verified and received

Filing Type: Rate/Rule

Co Status:

Reviewer(s): Betty Montesi, Carol Stiffler

Authors: Liz McCarty, Brad Ritter, Bob Laramore

Disposition Date: 11/13/2008

Date Submitted: 11/11/2008

Disposition Status: Approved

Effective Date Requested (New): On Approval

Effective Date (New): 11/13/2008

Effective Date Requested (Renewal): On Approval

Effective Date (Renewal):

State Filing Description:

## General Information

Project Name: BCIC AR LDD Rates

Status of Filing in Domicile: Authorized

Project Number: 08-WC-AR-0499

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 11/13/2008

State Status Changed: 11/13/2008

Deemer Date:

Corresponding Filing Tracking Number: 08-WC-AR-0500

Filing Description:

The purpose of this filing is to submit for approval the rate and rules for a large deductible plan.

## Company and Contact

### Filing Contact Information

Brad Ritter, VP, Senior Actuary

brad.ritter@summitholdings.com

<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Bridgefield Casualty Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
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<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

2310 Commerce Point Drive	(800) 282-7648 [Phone]
Lakeland, FL 33801	(863) 667-2738[FAX]

**Filing Company Information**

Bridgefield Casualty Insurance Company	CoCode: 10335	State of Domicile: Florida
2310 Commerce Point Drive	Group Code: 111	Company Type: Property & Casualty
Lakeland, FL 33801	Group Name: Liberty Mutual Agcy	State ID Number:
	Mkts	
(800) 282-7648 ext. [Phone]	FEIN Number: 59-3269531	
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<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
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<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

## Filing Fees

Fee Required?	Yes
Fee Amount:	\$100.00
Retaliatory?	No
Fee Explanation:	\$100 for independent filing
Per Company:	No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Bridgefield Casualty Insurance Company	\$100.00	11/11/2008	23848268

SERFF Tracking Number:	LBRM-125897560	State:	Arkansas
Filing Company:	Bridgefield Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	08-WC-AR-0499		
TOI:	16.0 Workers Compensation	Sub-TOI:	16.0004 Standard WC
Product Name:	BCIC AR LDD Rates		
Project Name/Number:	BCIC AR LDD Rates/08-WC-AR-0499		

## Correspondence Summary

### Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler	11/13/2008	11/13/2008

### Amendments

Item	Schedule	Created By	Created On	Date Submitted
Large Deductible Plan Rules	Rate	Liz McCarty	11/12/2008	11/12/2008
Large Deductible Plan Rating Factors	Rate	Liz McCarty	11/12/2008	11/12/2008

<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Bridgefield Casualty Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
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<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

## **Disposition**

Disposition Date: 11/13/2008

Effective Date (New): 11/13/2008

Effective Date (Renewal):

Status: Approved

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number:	LBRM-125897560	State:	Arkansas
Filing Company:	Bridgefield Casualty Insurance Company	State Tracking Number:	EFT \$100
Company Tracking Number:	08-WC-AR-0499		
TOI:	16.0 Workers Compensation	Sub-TOI:	16.0004 Standard WC
Product Name:	BCIC AR LDD Rates		
Project Name/Number:	BCIC AR LDD Rates/08-WC-AR-0499		

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Cover Letter	Approved	Yes
Supporting Document	Filing Memorandum	Approved	Yes
Supporting Document	Actuarial Statement of Opinion	Approved	Yes
Supporting Document	BCIC Large Deductible Plan Rules	Approved	Yes
Supporting Document	BCIC - AR - Large Deductible Rating Factors	Approved	Yes
Rate	Large Deductible Plan Rules	Approved	Yes
Rate	Large Deductible Plan Rating Factors	Approved	Yes

<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
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<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

**Amendment Letter**

Amendment Date:

Submitted Date: 11/12/2008

**Comments:**

Amended filing to add Rules and Rating Factors to the Rate/Rule Schedule. These were included in the supporting documents tab in the original submission.

**Changed Items:**

**Rate/Rule Schedule Item Changes:**

<b>Exhibit Name:</b>	<b>Rule # or</b>	<b>Rate</b>	<b>Previous State</b>	<b>Attach</b>
	<b>Page #:</b>	<b>Action:</b>	<b>Filing Numbers:</b>	<b>Document:</b>
Large Deductible		New		LDD Rules.pdf
Plan Rules				
<b>Exhibit Name:</b>	<b>Rule # or</b>	<b>Rate</b>	<b>Previous State</b>	<b>Attach</b>
	<b>Page #:</b>	<b>Action:</b>	<b>Filing Numbers:</b>	<b>Document:</b>
Large Deductible		New		BCIC - AR LDD
Plan Rating				Rates.pdf
Factors				

<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Bridgefield Casualty Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>08-WC-AR-0499</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0004 Standard WC</i>
<i>Product Name:</i>	<i>BCIC AR LDD Rates</i>		
<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

## **Rate Information**

Rate data does NOT apply to filing.



<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Bridgefield Casualty Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>08-WC-AR-0499</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0004 Standard WC</i>
<i>Product Name:</i>	<i>BCIC AR LDD Rates</i>		
<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

## Rate/Rule Schedule

<b>Review Status:</b>	<b>Exhibit Name:</b>	<b>Rule # or Page #:</b>	<b>Rate Action</b>	<b>Previous State Filing Attachments Number:</b>
Approved	Large Deductible Plan Rules		New	LDD Rules.pdf
Approved	Large Deductible Plan Rating Factors		New	BCIC - AR LDD Rates.pdf

# Bridgefield Casualty Insurance Company

## Workers Compensation Large Deductible Plan

### Rules Affecting Coverage and Premium

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#### Part 1 – General Provisions

**I. Purpose.** The Large Deductible Plan permits an employer who is insured for Workers Compensation to reimburse the insurer for losses and if selected allocated loss adjustment expenses (ALAE) paid in connection with the Workers Compensation insurance coverage. In return for a reduced premium, the insured agrees to reimburse the insurer for claims and, where selected, specified expenses and to provide acceptable security.

**II. Coverage.** The coverage is provided by a standard Workers Compensation and Employers Liability policy with the **Workers Compensation Large Deductible Endorsement** or **Workers Compensation Large Deductible Endorsement – Loss Only**. Nothing in these endorsements relieves the insurer of its obligations under the Workers Compensation policy to provide benefits to injured employees in the event the employer fails to reimburse the insurer. Failure on the part of the employer to reimburse the insurer or to provide security in a form and amount acceptable to the insurer will permit the insurer to cancel the policy in accordance with the procedure for canceling a policy for non-payment of premium.

#### Part 2 – Application of the Large Deductible Plan

**I. Authority.** The application of this plan is optional for those risks which are eligible and may be used upon agreement of the insurer and the insured. The deductible applies to payments made in connection with Workers Compensation Insurance, Employers Liability Insurance, to the Other States Insurance coverage provided in this policy and, if elected, Allocated Loss Adjustment Expense. The deductible also applies to the insurance provided by any endorsement to the policy. The deductible applies to each accident for bodily injury by accident and to each employee for bodily injury by disease. A policy period aggregate deductible limit may be mutually agreed upon.

**II. Deductible Amounts.** The minimum deductible is \$100,000 per accident or per employee. Higher deductible amounts are available.

**III. Eligibility.** A minimum of \$500,000 of countrywide estimated annual Workers Compensation Standard Premium is required to be eligible for this plan.

**IV. Statistical Reporting.** Our obligation to report data for statistical purposes does not change for policies written with a Large Deductible program. All data will be reported as required by NCCI including those losses under the deductible.

# Bridgefield Casualty Insurance Company

## Workers Compensation Large Deductible Plan

### Rules Affecting Coverage and Premium

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**V. Security.** We will evaluate the financial ability of the insured to pay losses within the deductible. The insured's security requirements will be based on this evaluation. As security for current and ultimate claim payments, an irrevocable letter of credit, or other security, in a form and amount acceptable to the insurer is required.

**VI. Rating Procedure.** The Deductible Premium is the premium charged to the policyholders for Workers Compensation Deductible coverage. It is calculated in accordance with the following formulas, procedures and definitions:

**A. Deductible Premium** = (Expected Excess Losses + Aggregate Limit Charge + Expenses) / (1.0 – Variable Expense Ratio). The calculations of each of the components of this formula are detailed below.

**B. Expected Excess Losses** equals the Excess Loss Factor (ELF) or Excess Loss and Allocated Expense Factor (ELAEF), if ALAE is included, for the selected deductible multiplied by the Standard Premium. Standard Premium used in this plan will be as shown in the Workers Compensation Premium Algorithm in the NCCI Basic Manual. The underwriter may adjust this amount to reflect individual risk characteristics, loss analysis, and the effect of cash flow. The adjustment may not exceed +/- 50%.

**C. Aggregate Limit Charge** is an optional element established by agreement of the insured and insurer and applies to the aggregate amount of losses for the policy period for all Workers Compensation policies subject to the Workers Compensation Large Deductible Plan. The charge is based on the applicable charge from the Table of Insurance Charges in the NCCI Retrospective Rating Plan. The underwriter may adjust this amount to reflect individual risk characteristics, loss analysis, and the effect of cash flow. The adjustment may not exceed +/- 50%. The procedure and formulas are as follows:

1. Lookup the Expected Loss Ratio (ELR) (or Expected Loss and Allocated Expense Ratio (ELAER) if ALAE is included).
2. Calculate the Limited Expected Loss Ratio (LELR) = (ELR or ELAER) – (ELF or ELAEF).
3. Calculate the loss elimination ratio (LER) = (ELF or ELAEF) / (ELR or ELAER).
4. Lookup the State Hazard Group Differential (SHGD).
5. Calculate the Loss Group Adjustment Factor (LGAF) =  $(1.0 + 0.8 * \text{LER}) / (1.0 - \text{LER})$ .
6. Calculate the Expected Losses for Loss Group Lookup = Standard Premium \* (ELR or ELAER) \* SHGD \* LGAF.

# Bridgefield Casualty Insurance Company

## Workers Compensation Large Deductible Plan

### Rules Affecting Coverage and Premium

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7. Lookup the Loss Group using the losses from 6. above from the Table of Expected Loss Ranges.
8. Calculate the Entry Ratio = Aggregate Limit / (Standard Premium \* LELR).
9. Lookup the Table M Insurance Charge (IC).
10. Calculate the Aggregate Limit Charge = IC \* LELR \* Standard Premium

**The Aggregate Limit shall not be less than the Standard Premium less the Deductible Premium.**

**D. Expenses** are for amounts expected to be incurred which do not vary with the final deductible premium. This consists of general expenses, adjusting expense, profit and contingencies, certain taxes that do not vary with the final deductible premium, and allocated loss adjustment expenses if they are not included in the deductible.

Miscellaneous Expense:	2% to 15% of standard premium based on premium size to reflect expense gradation, the level of loss control services provided, the level of reports provided to the insured, and the level of general policy services required.
Adjusting Expense:	1% to 5% of standard premium based on the level of claims services provided and the expected adjusting activity based on the historical loss experience of the insured.
Taxes:	based on taxes that do not vary with deductible premium.
Allocated Loss Adjustment Expense:	3% to 8% of standard premium if not included in deductible based on the level of managed care services provided and the expected litigation costs based on the historical loss experience of the insured.

**E. Variable Expense Ratio** is for expenses that are expected to vary with final deductible premium. This consists of commissions and taxes that vary with deductible premium.

# Bridgefield Casualty Insurance Company

## Workers Compensation Large Deductible Plan

### Rules Affecting Coverage and Premium

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Commission Expense:	based on the actual commission rate
Taxes:	based on taxes that vary with deductible premium.

**F. Other Charges** for Terrorism, Catastrophe, and Expense Constant are also collected and are in addition to Deductible Premium. Payments we make as a result of certified acts of terrorism and catastrophes are not subject to any deductibles. The Deductible Premium is not subject to Premium Discount.

#### **VII. Policy Preparation and Audit**

**A. Audit.** Final Deductible Premium will be based on the audited payroll.

**B. Policy Preparation.** The estimated deductible credit will be shown on the policy. Each policy to which this coverage applies shall include an approved Large Deductible Endorsement.

# Bridgefield Casualty Insurance Company - Arkansas

## Large Deductible Rating Factors

1) Expected Loss Ratio (ELR) 59.5% Expected Loss and Allocated Expense Ratio (ELAER) 65.5%

2) State and Hazard Group Differentials

<u>Hazard Groups</u>						
<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
1.89	1.42	1.26	1.13	0.98	0.79	0.59

3) NCCI's 2008 Table of Expected Loss Ranges

4) NCCI Table M Insurance Charges Effective 11/1/1998

5)	Excess Loss Factors (ELFs)							Excess Loss and Allocated Expense Factors (ELAEFs)						
Per Accident	Hazard Groups							Hazard Groups						
Limit	A	B	C	D	E	F	G	A	B	C	D	E	F	G
\$100,000	0.129	0.157	0.182	0.202	0.231	0.274	0.326	0.160	0.193	0.220	0.244	0.276	0.323	0.378
\$125,000	0.112	0.137	0.161	0.179	0.207	0.249	0.302	0.140	0.169	0.196	0.218	0.249	0.295	0.352
\$150,000	0.100	0.122	0.145	0.163	0.189	0.230	0.283	0.125	0.152	0.178	0.198	0.228	0.274	0.331
\$175,000	0.090	0.111	0.133	0.149	0.174	0.213	0.267	0.113	0.137	0.163	0.182	0.211	0.255	0.313
\$200,000	0.083	0.102	0.122	0.137	0.162	0.200	0.253	0.103	0.127	0.150	0.168	0.196	0.239	0.298
\$225,000	0.077	0.094	0.114	0.129	0.151	0.188	0.241	0.096	0.117	0.140	0.157	0.184	0.226	0.284
\$250,000	0.072	0.088	0.107	0.121	0.143	0.179	0.231	0.090	0.109	0.132	0.148	0.174	0.215	0.273
\$275,000	0.068	0.083	0.102	0.114	0.135	0.170	0.222	0.085	0.103	0.125	0.140	0.165	0.205	0.262
\$300,000	0.064	0.078	0.096	0.109	0.129	0.162	0.213	0.080	0.097	0.118	0.133	0.157	0.196	0.252
\$325,000	0.060	0.074	0.092	0.103	0.123	0.155	0.206	0.076	0.092	0.113	0.127	0.150	0.187	0.244
\$350,000	0.057	0.070	0.088	0.099	0.118	0.149	0.199	0.072	0.088	0.108	0.121	0.144	0.180	0.236
\$375,000	0.055	0.068	0.084	0.095	0.113	0.144	0.193	0.069	0.084	0.104	0.116	0.137	0.173	0.229
\$400,000	0.053	0.065	0.081	0.091	0.109	0.138	0.187	0.066	0.081	0.100	0.112	0.133	0.167	0.222
\$425,000	0.051	0.062	0.078	0.088	0.105	0.134	0.182	0.064	0.077	0.096	0.108	0.128	0.161	0.216
\$450,000	0.049	0.060	0.075	0.085	0.101	0.129	0.177	0.061	0.075	0.093	0.104	0.124	0.157	0.211
\$475,000	0.047	0.057	0.073	0.082	0.098	0.126	0.173	0.059	0.072	0.090	0.101	0.120	0.152	0.205
\$500,000	0.046	0.056	0.070	0.079	0.095	0.122	0.169	0.057	0.070	0.087	0.098	0.116	0.148	0.200
\$600,000	0.040	0.050	0.064	0.071	0.086	0.110	0.155	0.051	0.062	0.078	0.088	0.104	0.133	0.184
\$700,000	0.037	0.045	0.057	0.065	0.077	0.101	0.143	0.046	0.056	0.071	0.079	0.095	0.122	0.171
\$800,000	0.035	0.042	0.054	0.060	0.073	0.094	0.134	0.043	0.052	0.066	0.074	0.088	0.114	0.160
\$900,000	0.032	0.039	0.051	0.056	0.067	0.088	0.127	0.040	0.049	0.062	0.069	0.082	0.106	0.151
\$1,000,000	0.030	0.037	0.047	0.053	0.063	0.082	0.120	0.038	0.046	0.058	0.065	0.077	0.100	0.143
\$2,000,000	0.018	0.023	0.030	0.034	0.041	0.054	0.081	0.023	0.029	0.038	0.042	0.051	0.066	0.098
\$3,000,000	0.012	0.016	0.022	0.025	0.031	0.041	0.063	0.016	0.021	0.028	0.031	0.038	0.051	0.077
\$4,000,000	0.010	0.013	0.017	0.020	0.025	0.034	0.052	0.012	0.016	0.022	0.025	0.031	0.041	0.064
\$5,000,000	0.008	0.010	0.014	0.016	0.020	0.027	0.044	0.010	0.013	0.018	0.021	0.025	0.035	0.054
\$6,000,000	0.006	0.008	0.011	0.013	0.016	0.023	0.038	0.008	0.010	0.014	0.017	0.021	0.029	0.047
\$7,000,000	0.005	0.007	0.010	0.011	0.014	0.020	0.033	0.007	0.009	0.012	0.014	0.018	0.025	0.041
\$8,000,000	0.005	0.006	0.008	0.010	0.012	0.017	0.029	0.006	0.008	0.011	0.012	0.016	0.022	0.036
\$9,000,000	0.004	0.005	0.008	0.009	0.011	0.015	0.026	0.005	0.007	0.010	0.011	0.014	0.020	0.033
\$10,000,000	0.004	0.005	0.007	0.008	0.010	0.014	0.023	0.005	0.006	0.009	0.010	0.012	0.018	0.029

SERFF Tracking Number:	LBRM-125897560	State:	Arkansas
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TOI:	16.0 Workers Compensation	Sub-TOI:	16.0004 Standard WC
Product Name:	BCIC AR LDD Rates		
Project Name/Number:	BCIC AR LDD Rates/08-WC-AR-0499		

## Supporting Document Schedules

<b>Satisfied -Name:</b>	Uniform Transmittal Document-Property & Casualty	<b>Review Status:</b>	Approved	11/13/2008
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**Comments:**

**Attachment:**

08-WC-AR-0499 PC TD.pdf

<b>Bypassed -Name:</b>	NAIC Loss Cost Filing Document for Workers' Compensation	<b>Review Status:</b>	Approved	11/13/2008
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**Bypass Reason:** n/a - New Product

**Comments:**

<b>Bypassed -Name:</b>	NAIC loss cost data entry document	<b>Review Status:</b>	Approved	11/13/2008
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**Bypass Reason:** n/a New Product

**Comments:**

<b>Satisfied -Name:</b>	Cover Letter	<b>Review Status:</b>	Approved	11/13/2008
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**Comments:**

**Attachment:**

08-WC-AR-0499 ltr.pdf

<b>Satisfied -Name:</b>	Filing Memorandum	<b>Review Status:</b>	Approved	11/13/2008
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**Comments:**

**Attachment:**

Filing Memorandum.pdf

<b>Satisfied -Name:</b>	Actuarial Statement of Opinion	<b>Review Status:</b>	Approved	11/13/2008
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<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Bridgefield Casualty Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>08-WC-AR-0499</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0004 Standard WC</i>
<i>Product Name:</i>	<i>BCIC AR LDD Rates</i>		
<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

**Comments:**

**Attachment:**

BCIC SAO Certification.pdf



<i>SERFF Tracking Number:</i>	<i>LBRM-125897560</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Bridgefield Casualty Insurance Company</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>08-WC-AR-0499</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0004 Standard WC</i>
<i>Product Name:</i>	<i>BCIC AR LDD Rates</i>		
<i>Project Name/Number:</i>	<i>BCIC AR LDD Rates/08-WC-AR-0499</i>		

<b>Satisfied -Name:</b>	BCIC Large Deductible Plan Rules	<b>Review Status:</b>	
<b>Comments:</b>		Approved	11/13/2008
<b>Attachment:</b>			
LDD Rules.pdf			

<b>Satisfied -Name:</b>	BCIC - AR - Large Deductible Rating Factors	<b>Review Status:</b>	
<b>Comments:</b>		Approved	11/13/2008
<b>Attachment:</b>			
BCIC - AR LDD Rates.pdf			

## Property &amp; Casualty Transmittal Document

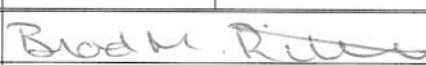
Reset Form

<b>1. Reserved for Insurance Dept. Use Only</b>	<b>2. Insurance Department Use only</b>	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
g. SERFF Filing #:		
h. Subject Codes		

<b>3. Group Name</b>					<b>Group NAIC #</b>
<b>4. Company Name(s)</b>	<b>Domicile</b>	<b>NAIC #</b>	<b>FEIN #</b>	<b>State #</b>	
Bridgefield Casualty Insurance Company	FL	10335	59-3269531		

<b>5. Company Tracking Number</b>	08-WC-AR-0499
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## Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

<b>6. Name and address</b>	<b>Title</b>	<b>Telephone #s</b>	<b>FAX #</b>	<b>e-mail</b>
Brad M. Ritter P.O. Box 988	Vice President & Chief Actuary	(800) 282-7648	(863) 667-7218	brad.ritter@summitholdings.com
Lakeland, FL 33802-0988				
<b>7. Signature of authorized filer</b>				
<b>8. Please print name of authorized filer</b>	Brad M. Ritter			

## Filing information (see General Instructions for descriptions of these fields)

<b>9. Type of Insurance (TOI)</b>	16.0 Workers Compensation			
<b>10. Sub-Type of Insurance (Sub-TOI)</b>	16.0004 Standard WC			
<b>11. State Specific Product code(s)(if applicable)[See State Specific Requirements]</b>				
<b>12. Company Program Title (Marketing title)</b>	Workers' Compensation			
<b>13. Filing Type</b>	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)			
<b>14. Effective Date(s) Requested</b>	New:	Upon Approval	Renewal:	Upon Approval
<b>15. Reference Filing?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
<b>16. Reference Organization (if applicable)</b>				
<b>17. Reference Organization # &amp; Title</b>				
<b>18. Company's Date of Filing</b>				
<b>19. Status of filing in domicile</b>	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input checked="" type="checkbox"/> Authorized <input type="checkbox"/> Disapproved			

## Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	08-WC-AR-0499
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21.	<b>Filing Description</b> [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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The purpose of this filing is to submit for approval the rates and rules for a large deductible.

[View Complete Filing Description](#)

22.	<b>Filing Fees</b> (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
-----	---

Check #:

Amount:

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

\*\*\*Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

**RATE/RULE FILING SCHEDULE**

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	<b>This filing transmittal is part of Company Tracking #</b>	08-WC-AR-0499
2.	<b>This filing corresponds to form filing number</b> (Company tracking number of form filing, if applicable)	08-WC-AR-0500
<input type="checkbox"/> Rate Increase <input type="checkbox"/> Rate Decrease <input checked="" type="checkbox"/> Rate Neutral (0%)		

3. <b>Filing Method (Prior Approval, File &amp; Use, Flex Band, etc.)</b>							
4a. <b>Rate Change by Company (As Proposed)</b>							
Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
Bridgefield Casualty	New	New	New	New	New	New	New
Insurance Company	Product	Product	Product	Product	Product	Product	Product
4b. <b>Rate Change by Company (As Accepted) For State Use Only</b>							
Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)		
5b	Overall percentage rate impact for this filing		
5c	Effect of Rate Filing – Written premium change for this program		
5d	Effect of Rate Filing – Number of policyholders affected		

6.	Overall percentage of last rate revision	
7.	Effective Date of last rate revision	
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	BCIC Workers Compensation Large Deductible Plan Rules Affecting Coverage and Premium	<input checked="" type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
02	BCIC - Arkansas - Large Deductible Rating Factors	<input checked="" type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	
03		<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	



November 11, 2008

Ms. Julie Benefield Bowman  
Insurance Commissioner  
Arkansas Department of Insurance  
1200 West Third Street  
Little Rock, AR 72201-1904

RE: Bridgefield Casualty Insurance Company  
Workers' Compensation  
Filing for Large Deductible Plan – Rates and Rules  
NAIC #: 10335  
Company Filing Number: 08-WC-AR-0499

Dear Ms. Bowman:

This letter with enclosures is a filing for a large deductible plan to be effective upon approval. Under separate cover we are submitting a form filing that will go along with this rate and rule filing.

Thank you in advance for your consideration of this filing. If you should have any questions, do not hesitate to contact me at 1-800-282-7648.

Sincerely,

Brad M. Ritter  
Vice President and Chief Actuary

BMR:lm

Enclosures

**Southwest Region**

*Alabama, Arkansas, Louisiana & Mississippi*

P.O. Box 80439 ■ Baton Rouge, LA 70898-0439  
(225) 926-3264 ■ 1-800-421-2944  
Fax (225) 926-4102

**Corporate Office**

*Florida*

P.O. Box 988 ■ Lakeland, FL 33802-0988  
(863) 665-6060 ■ 1-800-282-7648  
Fax (863) 666-1958

**Southeast Region**

*Georgia, Kentucky, North Carolina, South Carolina & Tennessee*

P.O. Box 600 ■ Gainesville, GA 30503-0600  
(678) 450-5825 ■ 1-800-971-2667  
Fax (770) 531-1349

**Filing Memorandum**  
**Bridgefield Casualty Insurance Company**  
**Arkansas**  
**#08-WC-AL-0499**

**Purpose**

The purpose of this filing is to submit for approval the rate and rules for a large deductible plan.

**Proposal**

With this large deductible filing we are proposing to use the following:

1. The minimum deductible is \$100,000 per accident or per employee. Higher deductible amounts are available.
2. A minimum of \$500,000 of countrywide estimated annual Workers Compensation Standard Premium is required to be eligible for this plan.

**Impact**

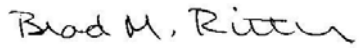
This filing does not affect current premium levels.

**Proposed Effective Date**

We request that this filing be reviewed and effective upon approval.

## **Actuarial Statement of Opinion**

I, Brad M. Ritter, hold the title of Vice President within Bridgefield Casualty Insurance Company. I am a member of the American Academy of Actuaries and a Fellow of the Casualty Actuarial Society. I meet the qualification standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



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Brad M. Ritter, FCAS, MAAA  
Vice President  
Bridgefield Casualty Insurance Company

# Bridgefield Casualty Insurance Company

## Workers Compensation Large Deductible Plan

### Rules Affecting Coverage and Premium

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#### Part 1 – General Provisions

**I. Purpose.** The Large Deductible Plan permits an employer who is insured for Workers Compensation to reimburse the insurer for losses and if selected allocated loss adjustment expenses (ALAE) paid in connection with the Workers Compensation insurance coverage. In return for a reduced premium, the insured agrees to reimburse the insurer for claims and, where selected, specified expenses and to provide acceptable security.

**II. Coverage.** The coverage is provided by a standard Workers Compensation and Employers Liability policy with the **Workers Compensation Large Deductible Endorsement** or **Workers Compensation Large Deductible Endorsement – Loss Only**. Nothing in these endorsements relieves the insurer of its obligations under the Workers Compensation policy to provide benefits to injured employees in the event the employer fails to reimburse the insurer. Failure on the part of the employer to reimburse the insurer or to provide security in a form and amount acceptable to the insurer will permit the insurer to cancel the policy in accordance with the procedure for canceling a policy for non-payment of premium.

#### Part 2 – Application of the Large Deductible Plan

**I. Authority.** The application of this plan is optional for those risks which are eligible and may be used upon agreement of the insurer and the insured. The deductible applies to payments made in connection with Workers Compensation Insurance, Employers Liability Insurance, to the Other States Insurance coverage provided in this policy and, if elected, Allocated Loss Adjustment Expense. The deductible also applies to the insurance provided by any endorsement to the policy. The deductible applies to each accident for bodily injury by accident and to each employee for bodily injury by disease. A policy period aggregate deductible limit may be mutually agreed upon.

**II. Deductible Amounts.** The minimum deductible is \$100,000 per accident or per employee. Higher deductible amounts are available.

**III. Eligibility.** A minimum of \$500,000 of countrywide estimated annual Workers Compensation Standard Premium is required to be eligible for this plan.

**IV. Statistical Reporting.** Our obligation to report data for statistical purposes does not change for policies written with a Large Deductible program. All data will be reported as required by NCCI including those losses under the deductible.



# Bridgefield Casualty Insurance Company

## Workers Compensation Large Deductible Plan

### Rules Affecting Coverage and Premium

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**V. Security.** We will evaluate the financial ability of the insured to pay losses within the deductible. The insured's security requirements will be based on this evaluation. As security for current and ultimate claim payments, an irrevocable letter of credit, or other security, in a form and amount acceptable to the insurer is required.

**VI. Rating Procedure.** The Deductible Premium is the premium charged to the policyholders for Workers Compensation Deductible coverage. It is calculated in accordance with the following formulas, procedures and definitions:

**A. Deductible Premium** = (Expected Excess Losses + Aggregate Limit Charge + Expenses) / (1.0 – Variable Expense Ratio). The calculations of each of the components of this formula are detailed below.

**B. Expected Excess Losses** equals the Excess Loss Factor (ELF) or Excess Loss and Allocated Expense Factor (ELAEF), if ALAE is included, for the selected deductible multiplied by the Standard Premium. Standard Premium used in this plan will be as shown in the Workers Compensation Premium Algorithm in the NCCI Basic Manual. The underwriter may adjust this amount to reflect individual risk characteristics, loss analysis, and the effect of cash flow. The adjustment may not exceed +/- 50%.

**C. Aggregate Limit Charge** is an optional element established by agreement of the insured and insurer and applies to the aggregate amount of losses for the policy period for all Workers Compensation policies subject to the Workers Compensation Large Deductible Plan. The charge is based on the applicable charge from the Table of Insurance Charges in the NCCI Retrospective Rating Plan. The underwriter may adjust this amount to reflect individual risk characteristics, loss analysis, and the effect of cash flow. The adjustment may not exceed +/- 50%. The procedure and formulas are as follows:

1. Lookup the Expected Loss Ratio (ELR) (or Expected Loss and Allocated Expense Ratio (ELAER) if ALAE is included).
2. Calculate the Limited Expected Loss Ratio (LELR) = (ELR or ELAER) – (ELF or ELAEF).
3. Calculate the loss elimination ratio (LER) = (ELF or ELAEF) / (ELR or ELAER).
4. Lookup the State Hazard Group Differential (SHGD).
5. Calculate the Loss Group Adjustment Factor (LGAF) =  $(1.0 + 0.8 * \text{LER}) / (1.0 - \text{LER})$ .
6. Calculate the Expected Losses for Loss Group Lookup = Standard Premium \* (ELR or ELAER) \* SHGD \* LGAF.

# Bridgefield Casualty Insurance Company

## Workers Compensation Large Deductible Plan

### Rules Affecting Coverage and Premium

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7. Lookup the Loss Group using the losses from 6. above from the Table of Expected Loss Ranges.
8. Calculate the Entry Ratio = Aggregate Limit / (Standard Premium \* LELR).
9. Lookup the Table M Insurance Charge (IC).
10. Calculate the Aggregate Limit Charge = IC \* LELR \* Standard Premium

**The Aggregate Limit shall not be less than the Standard Premium less the Deductible Premium.**

**D. Expenses** are for amounts expected to be incurred which do not vary with the final deductible premium. This consists of general expenses, adjusting expense, profit and contingencies, certain taxes that do not vary with the final deductible premium, and allocated loss adjustment expenses if they are not included in the deductible.

Miscellaneous Expense:	2% to 15% of standard premium based on premium size to reflect expense gradation, the level of loss control services provided, the level of reports provided to the insured, and the level of general policy services required.
Adjusting Expense:	1% to 5% of standard premium based on the level of claims services provided and the expected adjusting activity based on the historical loss experience of the insured.
Taxes:	based on taxes that do not vary with deductible premium.
Allocated Loss Adjustment Expense:	3% to 8% of standard premium if not included in deductible based on the level of managed care services provided and the expected litigation costs based on the historical loss experience of the insured.

**E. Variable Expense Ratio** is for expenses that are expected to vary with final deductible premium. This consists of commissions and taxes that vary with deductible premium.

# Bridgefield Casualty Insurance Company

## Workers Compensation Large Deductible Plan

### Rules Affecting Coverage and Premium

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Commission Expense:	based on the actual commission rate
Taxes:	based on taxes that vary with deductible premium.

**F. Other Charges** for Terrorism, Catastrophe, and Expense Constant are also collected and are in addition to Deductible Premium. Payments we make as a result of certified acts of terrorism and catastrophes are not subject to any deductibles. The Deductible Premium is not subject to Premium Discount.

#### **VII. Policy Preparation and Audit**

**A. Audit.** Final Deductible Premium will be based on the audited payroll.

**B. Policy Preparation.** The estimated deductible credit will be shown on the policy. Each policy to which this coverage applies shall include an approved Large Deductible Endorsement.

## Bridgefield Casualty Insurance Company - Arkansas Large Deductible Rating Factors

1)	Expected Loss Ratio (ELR)	59.5%	Expected Loss and Allocated Expense Ratio (ELAER)	65.5%
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## 2) State and Hazard Group Differentials

### Hazard Groups

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
1.89	1.42	1.26	1.13	0.98	0.79	0.59

### 3) NCCI's 2008 Table of Expected Loss Ranges

4) **NCCI Table M Insurance Charges Effective 11/1/1998**

**5) Excess Loss Factors (ELFs)**

Per Accident

### Excess Loss Factors (ELFs)

### Hazard Groups

### Excess Loss and Allocated Expense Factors (ELAEFs)

### Hazard Groups

Limit	A	B	C	D	E	F	G	A	B	C	D	E	F	G
\$100,000	0.129	0.157	0.182	0.202	0.231	0.274	0.326	0.160	0.193	0.220	0.244	0.276	0.323	0.378
\$125,000	0.112	0.137	0.161	0.179	0.207	0.249	0.302	0.140	0.169	0.196	0.218	0.249	0.295	0.352
\$150,000	0.100	0.122	0.145	0.163	0.189	0.230	0.283	0.125	0.152	0.178	0.198	0.228	0.274	0.331
\$175,000	0.090	0.111	0.133	0.149	0.174	0.213	0.267	0.113	0.137	0.163	0.182	0.211	0.255	0.313
\$200,000	0.083	0.102	0.122	0.137	0.162	0.200	0.253	0.103	0.127	0.150	0.168	0.196	0.239	0.298
\$225,000	0.077	0.094	0.114	0.129	0.151	0.188	0.241	0.096	0.117	0.140	0.157	0.184	0.226	0.284
\$250,000	0.072	0.088	0.107	0.121	0.143	0.179	0.231	0.090	0.109	0.132	0.148	0.174	0.215	0.273
\$275,000	0.068	0.083	0.102	0.114	0.135	0.170	0.222	0.085	0.103	0.125	0.140	0.165	0.205	0.262
\$300,000	0.064	0.078	0.096	0.109	0.129	0.162	0.213	0.080	0.097	0.118	0.133	0.157	0.196	0.252
\$325,000	0.060	0.074	0.092	0.103	0.123	0.155	0.206	0.076	0.092	0.113	0.127	0.150	0.187	0.244
\$350,000	0.057	0.070	0.088	0.099	0.118	0.149	0.199	0.072	0.088	0.108	0.121	0.144	0.180	0.236
\$375,000	0.055	0.068	0.084	0.095	0.113	0.144	0.193	0.069	0.084	0.104	0.116	0.137	0.173	0.229
\$400,000	0.053	0.065	0.081	0.091	0.109	0.138	0.187	0.066	0.081	0.100	0.112	0.133	0.167	0.222
\$425,000	0.051	0.062	0.078	0.088	0.105	0.134	0.182	0.064	0.077	0.096	0.108	0.128	0.161	0.216
\$450,000	0.049	0.060	0.075	0.085	0.101	0.129	0.177	0.061	0.075	0.093	0.104	0.124	0.157	0.211
\$475,000	0.047	0.057	0.073	0.082	0.098	0.126	0.173	0.059	0.072	0.090	0.101	0.120	0.152	0.205
\$500,000	0.046	0.056	0.070	0.079	0.095	0.122	0.169	0.057	0.070	0.087	0.098	0.116	0.148	0.200
\$600,000	0.040	0.050	0.064	0.071	0.086	0.110	0.155	0.051	0.062	0.078	0.088	0.104	0.133	0.184
\$700,000	0.037	0.045	0.057	0.065	0.077	0.101	0.143	0.046	0.056	0.071	0.079	0.095	0.122	0.171
\$800,000	0.035	0.042	0.054	0.060	0.073	0.094	0.134	0.043	0.052	0.066	0.074	0.088	0.114	0.160
\$900,000	0.032	0.039	0.051	0.056	0.067	0.088	0.127	0.040	0.049	0.062	0.069	0.082	0.106	0.151
\$1,000,000	0.030	0.037	0.047	0.053	0.063	0.082	0.120	0.038	0.046	0.058	0.065	0.077	0.100	0.143
\$2,000,000	0.018	0.023	0.030	0.034	0.041	0.054	0.081	0.023	0.029	0.038	0.042	0.051	0.066	0.098
\$3,000,000	0.012	0.016	0.022	0.025	0.031	0.041	0.063	0.016	0.021	0.028	0.031	0.038	0.051	0.077
\$4,000,000	0.010	0.013	0.017	0.020	0.025	0.034	0.052	0.012	0.016	0.022	0.025	0.031	0.041	0.064
\$5,000,000	0.008	0.010	0.014	0.016	0.020	0.027	0.044	0.010	0.013					